

Message Text

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PAGE 01 STATE 247461
ORIGIN SS-25

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APPROVED BY E:RCOOPER
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ARA:VAKY (IN SUBSTANCE)
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FM SECSTATE WASHDC
TO AMEMBASSY CARACAS IMMEDIATE

C O N F I D E N T I A L STATE 247461

EXDIS

E.O. 11652: GDS

TAGS: ENRG, VE

SUBJECT: MESSAGE TO PRESIDENT PEREZ RE OIL PRICES

1. CHARGE IS INSTRUCTED TO SEEK APPOINTMENT WITH
PRESIDENT CARLOS ANDRES PEREZ TO MAKE FOLLOWING POINTS ON
BEHALF OF PRESIDENT CARTER.
2. TALKING POINTS ARE AS FOLLOWS: BEGIN TEXT: IT HAS COME
TO OUR ATTENTION THAT VENEZUELA IS SEEKING TO PERSUADE OTHER
OPEC COUNTRIES TO AGREE TO AN IMMEDIATE INCREASE IN OIL
PRICES AND A FURTHER INCREASE AT THE BEGINNING OF NEXT YEAR.
3. THIS WOULD BE A MOST INOPPORTUNE TIME FOR SUCH A STEP.
IT WOULD DAMAGE THE GLOBAL ECONOMY, STILL STRUGGLING TO
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EMERGE FROM A PERIOD OF RECESSION. THE EFFECT WOULD BE
MAGNIFIED BY THE UNCERTAINTIES THAT WOULD FLOW FROM A
PRICE INCREASE WHICH APPEARS UNWARRANTED BY CURRENT MARKET
CONDITIONS.

4. PERHAPS MOST IMPORTANT OF ALL A RISE IN OIL PRICES AT
THIS TIME WOULD PLACE FURTHER PRESSURE ON THE DOLLAR. THIS

WOULD NOT BE IN ANYONE'S INTEREST, AND WOULD BE PARTICULARLY UNFORTUNATE WHEN US GOVERNMENT IS TAKING VIGOROUS MEASURES

BOTH TO STRENGTHEN THE DOLLAR AND TO STRENGTHEN THE INTERNATIONAL MONETARY SYSTEM. OUR CONGRESS WILL, IN THE NEXT FEW DAYS, PASS LEGISLATION THAT WILL BRING INTO EFFECT THE BULK OF ENERGY PROGRAM THAT YOU, PRESIDENT CARTER AND OTHER WORLD LEADERS, HAVE FELT WAS NEEDED. THE SENATE ACTED ON SEPTEMBER 27 AND THE BILL NOW GOES TO THE HOUSE. AND WE EXPECT THAT IT WILL NEXT YEAR ENACT ADDITIONAL ENERGY LEGISLATION. THE CONGRESS IS ALSO ABOUT TO GIVE FINAL APPROVAL TO THE WITTEVEEN FACILITY WHICH WILL AUGMENT THE RESOURCES OF THE IMF.

5. AN OIL PRICE INCREASE NOW COULD HAVE OTHER UNFORTUNATE IMPLICATIONS, GLOBALLY AND IN THE UNITED STATES. IT WOULD PLACE THE ARAB OIL PRODUCERS IN THE UNHELPFUL POSITION OF RAISING THE PRICE OF OIL AT A POINT WHEN THE RESULTS AT CAMP DAVID HAVE AT LAST PROVIDED ESSENTIAL FORWARD MOTION TOWARD PEACE IN THE MIDDLE EAST.

6. FOR THESE AND OTHER REASONS, OUR GOVERNMENT REQUESTS THAT YOU RECONSIDER VENEZUELA'S POSITION ON OIL PRICES AND THAT MINISTER HERNANDEZ NOT CONTINUE HIS EFFORTS TO
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OBTAIN A PRICE INCREASE AT THIS TIME, AND THAT THIS ISSUE SHOULD BE DEFERRED UNTIL THE REGULARLY SCHEDULED REVIEW. VENEZUELA CAN IN THIS WAY MAKE A SIGNIFICANT CONTRIBUTION TO THE MAINTENANCE OF FORWARD MOMENTUM FOR THE SOLUTION OF IMPORTANT WORLD ECONOMIC AND POLITICAL PROBLEMS. PRESIDENT CARTER INTENDS TO CONTINUE TO PURSUE WITH VIGOR POLICIES TOWARD THE SAME END. END TEXT. CHRISTOPHER

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